



A Message from Retirement Board Chairman, Jody B. Olson

## Choice Plan's low fees may mean more money for you

### PERSI Choice Plan 401(k) Investment Fees are VERY Low

Because of our size and number of members, we are able to negotiate very low investment fees for you. And, if your Choice Plan funds are in the PERSI Total Return Fund, the management fees are absorbed in the total PERSI system, so you have no asset management fees.

PERSI Choice Plan Investment	Asset Management Fee (% of Assets)
<b>PERSI Total Return Fund</b>	<b>0.00 %</b>
Mellon S&P 500	0.08 %
Mellon Wilshire 5000 Index	0.10 %
Mellon Bond Index Fund	0.11 %
Mellon International Fund	0.15 %
SEI Stable Value	0.30 %
Vanguard Growth & Income	0.37 %
Dodge & Cox Fixed Income*	0.38 %
Dreyfus Premier Mid Cap*	0.65 %
Brandes International*	0.95 %
ING Small Company Fund	1.23 %

\*These three funds have a rebate arrangement where you will be charged a higher fee on a daily basis, and will have a rebate credited to your account after the end of each calendar quarter, so over time your actual net fees will be at the rate stated here.

People often ask us why they might want to contribute to the PERSI Choice Plan 401(k) instead of (or in addition to) another employer plan such as a 403(b). Well, actually, we can think of a couple of obvious reasons:

**You may take loans from your Choice Plan** -- for any reason whatsoever.

While you are actively working, **you have no recordkeeping fees**. That's right, we pay your \$30 fee for you every year because it is part of your total retirement plan.

But a less obvious, although perhaps more important reason is **our very low investment fees**.

What is an investment fee? Investment funds charge their investors fees and expenses. There are several types of asset based fees that may be charged: account fees, sales fees, actuarial risk charges, and front or back "loads." (fees for buying or selling funds).

A fund with high costs must perform better than a low-cost fund to generate the same returns for

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# We protect your Social Security number, but still need to use it

Identity theft is serious, and we are just as concerned about it as you are. People are increasingly protective of personal information such as Social Security Numbers (SSN), and rightly so. At PERSI, we have taken steps to help ensure the safety of your SSN and other data.

For more than a decade, PERSI has utilized a records disposal service that shreds all documents containing any personal data.

On both your Choice Plan quarterly statements and your Base Plan annual statements, we no longer print your SSN. We instead have assigned you a random Employee

Number. This is a six-digit number found to the right of your name and address on page one.

However, even with these precautions, PERSI does still need to use your SSN for IRS and administrative purposes. Therefore, we will still require that you provide it on forms, or over the phone if you are calling in for information. We will also continue to require SSNs for spouses and/or beneficiaries to ensure any Death Benefits are paid to those you intend to receive them.

Without your SSN, PERSI would not be able to report your pension information to the Internal Revenue

Service; and this could result in adverse tax consequences for you.

PERSI will not disclose your SSN to any individual or organization unless you provide authorization, or as required by law. We will use your SSN only to collect and administer information about your PERSI account and to make reports to the IRS on distributions or withholdings.

Disclosure of your Social Security Number (SSN) is mandated by Internal Revenue Code. 26 United States Code 6047(D), 6041(A) and 6109(A)(3) authorize PERSI to ask for and utilize your SSN. ♦

## Telephone Financial Counselors available to you, free!

PERSI has financial counselors available to you at no charge. These counselors, available via toll-free phone, can provide you with information on investment terminology, concepts and strategies. They can help you to get started saving, answer questions about the Choice Plan funds, and more.

These counselors are provided through PERSI's partner for financial education, Educational Technologies Inc (ETI).



To talk  
to a financial  
counselor,  
call 1-800-453-0321  
Monday - Friday 9 am - 7 pm eastern time

## You can roll over other savings into the PERSI Choice Plan

Do you have a savings account like a 401(k) or 403(b) from a previous employer? Tired of keeping track of two or more accounts? If you wish, you may combine all those plans together into the PERSI Choice Plan.

You may roll over balances from your prior employers' eligible retirement plans {401(a), 401(k), 403(a), 403(b), and 457} or pre-tax IRAs, provided the balances qualify for tax-free rollover treatment.

Rollover contributions must be in cash; contributions in-kind (in the form of shares) are not permitted.

Rollovers into the Choice Plan are even allowed after you stop PERSI-covered employment. If you stop work or retire, you may still roll money into the Choice Plan from your other eligible retirement plans, as long as you establish a Choice Plan account while still employed.

If you are interested in rolling over funds from another plan, please contact Janelle at 1-800-451-8228 ext. 294 for a rollover form. ♦

# Choice Plan's low fees may mean more money for you

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you. Even small differences in fees can translate into large differences in returns over time.

For example, if you had \$10,000 in a fund with a 10% annual return before expenses and annual operating expenses of 1.5%, after 20 years you would have roughly \$49,725. But if that same fund had expenses of only 0.5%, after 20 years you would have some \$60,858 – an 18% difference!

If you're thinking that the \$49,725 sounds okay to you, you might want to consider what that \$11,133 difference means to you. It might mean having to work another year or two before you can afford retirement. So, you may want to watch those fees and have your money work for you instead of vice versa.

In the PERSI Choice Plan, you pay only one fee, the asset management fee

for each particular fund. There are no other fees whatsoever. The common practice in the industry is for the asset management fee to be deducted from the return on a daily value basis. In other words, if the value of the fund is \$1,000 on October 1 and the fee is .10% (or 10 "basis points"), the fee for that day will be  $\$1,000 \times .10\% / 365$ . This will be deducted from the performance numbers before the percentage is officially reported.

Example: If your fund earned an 8.6% return for the year, and the fee is .10%, your return will be reported as 8.5% for the year (because the .10% fee was deducted).

The chart on page one shows the fees for the investment options in the PERSI Choice Plan. Note that the PERSI Total Return Fund (TRF) does not have an asset management fee. If

you have all your Choice Plan funds in the PERSI Total Return Fund, you pay absolutely NO fees. This is because when the Idaho legislature mandated Gain Sharing and the Choice Plan, we needed a default to hold these funds. The TRF was established as the default, and because PERSI must maintain the TRF, it has no fees.

A study posted on the Securities and Exchange Commission (SEC) Web site states that in 1999, the weighted average fund fee was 0.94%. The PERSI Choice Plan options are below this with a weighted average 0.10% charged to participants.

The SEC Web site has a very handy fee calculator at [www.sec.gov/investor/tools/mfcc/mfcc-int.htm](http://www.sec.gov/investor/tools/mfcc/mfcc-int.htm) that can show you the actual impact of fees on your particular investments. ♦

## Want to take a LOAN from Your Choice Plan Account?

While your Choice Plan account is intended for retirement, loans are permitted for any reason while you are an active PERSI member.

The maximum amount that you may borrow is the lesser of 50% of your account balance excluding Gain Sharing amounts, or \$50,000.

The minimum amount you may borrow is \$1,000. So, to borrow the minimum loan amount, you must have at least \$2,000 in your account (excluding Gain Sharing). You may have only one loan at a time from the Choice Plan. Inactive members may not take a loan.

Requesting a loan is easy. Go to [www.persi.state.id.us/choice.htm](http://www.persi.state.id.us/choice.htm). Right under the Mellon/Dreyfus logos, click on "Choice Plan Personal Account Information." Enter your Social Security number and PIN. (If you've forgot ten your PIN, you may request a reminder from that Web page.) Go to "Loan Modeling & Initiation." Here you can enter different loan amounts and payment schedules to find what best suits your needs. You can then apply for the loan right on-line and the paperwork will be automatically sent to you.

Loan repayments are made via salary (payroll) deduction, and are credited

to your account according to your investment allocation.

The interest rate for all new loans is the Prime Rate plus 1%, as published in the Wall Street Journal on the first business day of each month. The repayment period may be up to five years for a general purpose loan and up to ten years for the purchase of a primary residence.

You may want to consider other funding options before taking a loan as the potential loss in investment earnings over time may cost you more in the end, but loans are available to you should you need one.

# Features of your annual Base Plan Benefit Statement

PERSI Base Plan annual benefit statements are sent out every fall. You should receive yours by November 15. Choice Plan statements are sent quarterly.

A few Base Plan statement items:

## Retirement Benefit

This box shows the formula used to calculate your retirement benefit. It uses the actual data we have for you **as of June 30, 2002**. The amount shown is the benefit that you have earned thus far. If you quit work as of the statement date, this is what your benefit would be at your service retirement age (65 for general, 60 for police/fire).

If you are not vested to a lifetime retirement benefit, there will not be a benefit amount shown here. Instead, you will have a sentence telling you how many more months you need for a lifetime benefit.

## Disability Benefit

Should you become disabled, you may be eligible to receive disability retirement. This box shows the

formula used to calculate a disability benefit.

Generally, you must have five years of service to be eligible for disability retirement. If you do not have enough service, you will have a sentence telling you how many more months you need to be eligible.

## Separation Benefit

If you terminate work, you may withdraw your Base Plan contributions and interest as a Separation Benefit. This box shows your account balance for the previous year, your contributions and interest added this year and your new balance. It also shows the total taxed and non-taxed contributions and your total interest. The total account amount equals your separation benefit amount as of June 30, 2002.

## Death Benefit

If you die, your beneficiaries will be

paid a Death Benefit. This box shows your total contributions and interest (same total as the separation benefit amount). If you are not vested, this amount is also the death benefit amount. If you are vested, the amount is doubled for the death benefit.

Also listed are your beneficiaries and their share of the death benefit.

## Accrued Benefits

This box shows the retirement benefits you will receive at future dates assuming you quit work as of the statement date.

## Projected Benefits

This box shows projected retirement benefits assuming you continue working to the dates shown. We've projected assuming that your salary increases at 0% and 3% per year to show how this changes benefit amounts. ◆

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## If you have \$200 or less in the Choice Plan when you stop work or retire, your money will be automatically refunded to you

If you retire or quit working and have \$200 or less in the PERSI Choice Plan, it will automatically be refunded to you 90 days after you stop working.

No taxes will be taken out of the payment; however, you will receive a 1099R form that you will need to file with your taxes in the year the distribution takes place. Upon receipt of the check, you will have 60 days to roll this distribution check into an IRA or other eligible retirement plan to avoid any tax consequences. However, if you choose to cash the check, you will be responsible for any applicable federal taxes and a possible 10% penalty.

If you have more than \$200 in your Choice Plan account, it will not be distributed to you unless you complete a Distribution/Rollover form.

You may also choose to leave your money in the plan. Inactive accounts are charged \$2.50 per month for recordkeeping fees. ◆

**I D A H O**

**PERSpectives**

Public Employee Retirement System of Idaho

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